

provider that is a health care provider under the Civilian Health and Medical Program of the Uniformed Services to apply the payment rules described in section 1074(c) of title 10, United States Code, in imposing charges for health care that the private facility or provider provides to enrollees of a designated provider.

(2) AUTHORIZED ADJUSTMENTS.—The payment rules imposed under subsection (a) shall be subject to such modifications as the Secretary considers appropriate. The Secretary may authorize a lower rate than the maximum rate that would otherwise apply under subsection (a) if the lower rate is agreed to by the designated provider and the private facility or health care provider.

(3) REGULATIONS.—The Secretary shall prescribe regulations to implement this section after consultation with the other administering Secretaries.

(4) CONFORMING AMENDMENT.—Section 1074 of title 10, United States Code, is amended by striking out subsection (d).

#### SEC. 726. PAYMENTS FOR SERVICES.

(5) FORM OF PAYMENT.—Unless otherwise agreed to by the Secretary and a designated provider, the form of payment for health care services provided by a designated provider shall be on a full risk capitation payment basis. The capitation payments shall be negotiated and agreed upon by the Secretary and the designated provider. In addition to such other factors as the parties may agree to apply, the capitation payments shall be based on the utilization experience of enrollees and competitive market rates for equivalent health care services for a comparable population to such enrollees in the area in which the designated provider is located.

(6) LIMITATION ON TOTAL PAYMENTS.—Total capitation payments for health care services to a designated provider shall not exceed an amount equal to the cost that would have been incurred by the Government if the enrollees had received such health care services through a military treatment facility, the TRICARE program, or the Medicare program, as the case may be.

(7) ESTABLISHMENT OF PAYMENT RATES ON ANNUAL BASIS.—

The Secretary and a designated provider shall establish capitation payments on an annual basis, subject to periodic review for actuarial soundness and to adjustment for any adverse or favorable selection reasonably anticipated to result from the design of the program.

under this subtitle.

(8) **ALTERNATIVE BASIS FOR CALCULATING PAYMENTS.**  
After September 30, 1999, the Secretary and a designated provider may mutually agree upon a new basis for calculating capitation payments.

**SEC. 727. REPEAL OF SUPERSEDED AUTHORITIES.**

(9) (a) REPEALS.—The following provisions of law are repealed:  
(9) Section 911 of the Military Construction Authorization Act, 1982 (42 U.S.C. 248c).  
(10) Section 1252 of the Department of Defense Authorization Act, 1984 (42 U.S.C. 248d).  
(11) Section 718(c) of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510; 42 U.S.C. 248c note).  
(12) Section 726 of the National Defense Authorization Act for Fiscal Year 1996 (Public Law 104-106; 42 U.S.C. 248c note).